

Message Text

SECRET

PAGE 01 TEL AV 00760 011529Z
ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 A-01 EB-08 IGA-02 INR-07
SSO-00 NEAE-00 PM-04 /050 W
-----011703Z 007590 /41
R 011437Z FEB 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 4679

S E C R E T TEL AVIV 760

E.O. 11652: GDS
TAGS: OVIP (VANCE, CYRUS), IS
SUBJECT: SECRETARY'S VISIT: U.S. ASSISTANCE TO ISRAEL

(A) 76 TEL AVIV 4279 (B) 76 TEL AVIV 6405 (P) 76 TEL AVIV
6144

1. SUMMARY. THE ISRAELIS CAN BE EXPECTED TO CONTINUE THEIR EFFORT TO RAISE THE LEVEL OF US ASSISTANCE FOR FY 1978 FROM THE \$1.5 BILLION PROPOSED BY PRESIDENT FORD TO A TOTAL OF \$2.3 BILLION. THE LATTER AMOUNT WAS RECEIVED IN FY 1976 AND THE ISRAELIS HOPE THAT WE WILL RETURN TO THAT LEVEL IN 1978, AFTER DROPPING TO \$1.8 BILLION IN 1977. THE ISRAELIS WILL ALSO MAINTAIN THAT ONCE THEIR ARMS REQUESTS ARE APPROVED BY WASHINGTON, THE USG SHOULD PROVIDE THE NECESSARY FINANCING. WE BELIEVE THAT THE GRADUAL PHASE-DOWN OF U.S. ASSISTANCE, REFLECTED IN THE TOTALS RECOMMENDED FOR FY76-78, IS JUSTIFIED AND CONSISTENT WITH THE GOI POLICY OBJECTIVE OF REDUCING THE CIVILIAN PORTION OF THE BOP DEFICIT SUFFICIENTLY BY 1980 TO ELIMINATE THE NEED FOR U.S. ECONOMIC ASSISTANCE. END SUMMARY.

2. WHEN FINANCE MINISTER RABINOWITZ PRESENTED THE ANNUAL AID REQUEST TO AMBASSADOR TOON LAST SEPT, HE SAID THAT ISRAEL PLANNED TO REDUCE ITS BOP DEFICIT BY \$300
SECRET

SECRET

PAGE 02 TEL AV 00760 011529Z

MILLION PER YEAR UP TO 1980. HE THOUGHT THAT BY THAT TIME THERE WOULD BE NO FURTHER NEED FOR U.S. ECONOMIC ASSISTANCE, ALTHOUGH THE NEED FOR MILITARY AID WOULD CONTINUE FOR MANY YEARS TO COME. IN HIS PRESENTATION OF THE FY77 DRAFT BUDGET LAST WEEK, RABINOWITZ STATED AGAIN THAT GOI ECONOMIC PLANNING CALLS FOR "NARROWING THE CIVILIAN BALANCE OF PAYMENTS GAP TO \$1.1 BILLION

BY THE START OF THE 1980'S. WE CAN DEAL WITH THIS SUM THROUGH OUR OWN EFFORTS AND WITHOUT U.S. GOVERNMENT CIVILIAN AID."

3. WE WERE TOLD BY MINISTRY OF FINANCE OFFICIALS BEFORE THE BUDGET WAS PRESENTED TO THE KNESSET THAT THE DOCUMENT ASSUMED U.S. ASSISTANCE DURING THE 1977 FISCAL YEAR OF \$2.2 BILLION, OF WHICH \$1.47 BILLION WOULD BE FMS AND \$730 MILLION IN ECONOMIC ASSISTANCE. HOWEVER, THE EXPLANATORY MATERIAL RELEASED AT THE TIME OF THE BUDGET PRESENTATION STATED THAT US ASSISTANCE WOULD TOTAL \$2.4 BILLION, INCLUDING \$1.5 BILLION FOR DEFENSE IMPORTS AND \$900 MILLION IN ECONOMIC ASSISTANCE. (THE DIFFERENT TOTALS MAY SIMPLY REFLECT A CHANGE IN EXCHANGE RATE ESTIMATED FOR THE BUDGET YEAR.) IT WAS FURTHER EXPLAINED THAT THIS TOTAL AMOUNT INCLUDES "TRANSITIONAL QUARTER FUNDS AND THE UNEXPLOITED SURPLUS FROM FY76 ASSISTANCE."

4. THE PRIMARY DETERMINANT OF THE LEVEL OF US ASSISTANCE TO ISRAEL PRESEUMABLY SHOULD BE THE SIZE OF THEIR BOP DEFICIT. THE MAGNITUDE OF THIS DEFICIT IS IN TURN DETERMINED IN LARGE PARTY BY THE LEVEL OF MILITARY IMPORTS. HOWEVER, LAST YEAR THE DEFICIT WAS SUBSTANTIALLY REDUCED, BY \$800 MILLION, ALTHOUGH MILITARY IMPORTS DROPPED BY ONLY SOME \$200 MILLION FROM THE PREVIOUS YEAR. WHILE MUCH OF THE IMPROVEMENT IS SAID TO BE NON-RECURRING, THE BASIC BOP TREND IS ENCOURAGING AND IS IN FACT AHEAD OF RABINOWITZ' PLANNED \$300 MILLION
SECRET

SECRET

PAGE 03 TEL AV 00760 011529Z

IMPROVEMENT EACH YEAR. AT THE SAME TIME, THE DEFENSE SHARE OF THE 1977 DRAFT BUDGET HAS DROPPED TO 33 PER CENT OF THE TOTAL, COMPARED TO 39 PER CENT IN 1976.

5. AS WE HAVE STATED BEFORE, THERE IS LITTLE DOUBT THAT THE GENEROUS US ASSISTANCE OVER THE LAST FEW YEARS HAS PERMITTED THE POSTPONEMENT OF LONG OVERDUE ECONOMIC DECISIONS. THE MOST RECENT EXAMPLE IS THE POSTPONEMENT UNTIL AFTER THE MAY ELECTIONS OF EFFORTS TO REACH A PACKAGE AGREEMENT ON WAGES AND PRICES. WHILE SUCH AN AGREEMENT WOULD HAVE BEEN EXTREMELY DIFFICULT IN THE CURRENT ELECTION ATMOSPHERE, THE GOVERNOR OF THE BANK OF ISRAEL AND THE DIRECTOR OF THE BUDGET HAVE PUBLICLY WARNED THAT A THREATENED SECOND ROUND OF WAGE INCREASES THIS SPRING WOULD UNDERMINE BOTH THE BUDGET ASSUMPTIONS AND THE BOP PROGRAM. IN THESE CIRCUMSTANCES, A SYMPATHETIC BUT FIRM US POSITION ON FUTURE AID WILL ASSIST THOSE IN THE GOVERNMENT WHO WANT TO CURB INFLATION, SAFEGUARD THE RECENT

BOP IMPROVEMENT, AND KEEP THE ECONOMY MOVING IN THE
RIGHT DIRECTION.
DUNNIGAN

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TELAV00760
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770035-0952
Format: TEL
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770284/aaaacwaq.tel
Line Count: 119
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1b816dcd-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3437723
Secure: OPEN
Status: NATIVE
Subject: SECRETARY'S VISIT: U.S. ASSISTANCE TO ISRAEL (A) 76 TEL AVIV 4279 (B) 76 TEL AVIV 6405 (P) 76 TEL AVIV 6144
TAGS: OVIP, IS, (VANCE, CYRUS)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1b816dcd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009